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Build-A-Bear Workshop, Inc.*

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

KELLY TOYS HOLDINGS, LLC,
JAZWARES, LLC, KELLY
AMUSEMENT HOLDINGS, LLC,
and JAZPLUS, LLC,

Plaintiffs/ Counterclaim- Defendants,

vs.

BUILD-A-BEAR WORKSHOP, INC.,

Defendant/ Counterclaim- Plaintiff.

Case No. 2:24-cv-01169 JLS (MARx)

**DEFENDANT/COUNTERCLAIM-
PLAINTIFF BUILD-A-BEAR
WORKSHOP, INC.'S RESPONSE TO
COURT ORDER**

Hearing Date: None

Fact Discovery Cut-Off: May 23, 2025

Pre-Trial Conference: December 12, 2025

Trial Date: None

INTRODUCTION

There is no dispute that Plaintiffs have asserted, in this case and in multiple previous lawsuits for the past seven years, the presence of unregistered trade dress features purportedly found in each and every one of thousands of *individually different and unique* Squishmallows plush toys. (See Dkt. 37, Counterclaim, attached as Ex. 2 to Joint Stipulation, ¶¶ 25(a)-(n)). There is also no dispute that “Plaintiffs themselves have taken the position in previous cases that viewing the Squishmallows through photos does not accurately convey the distinct texture and feel” giving rise to this alleged trade dress and that Plaintiffs’ own expert (Richard Gottlieb) described the alleged trade dress as “a product design that provides both a visual and *physical experience to the end-user who* smiles at its [sic] appearance and *enjoys in its texture and feel.*” (Dkt. 58, at p. 8; Dkt. 57, Build-A-Bear’s Supp., Ex. A, ¶¶7-8) (emphases added). As such, this Court agreed that at least “some degree of physical inspection would be appropriate here,” but then concluded that inspection of all 3000 Squishmallows products would be “obviously disproportionate to the needs of the case.” (Dkt. 58, at p. 8).

Respectfully, what the Court overlooked in its proportionality and burden analysis was the fact that *the law requires the claimed trade dress elements to exist in every single product at issue*, as explained in Build-A-Bear’s briefing. (See Dkt. 56, Joint Stipulation, at pp. 4-5 of 582) (citing *Crafty Prods., Inc. v. Michaels Cos.*, 389 F. Supp. 3d 876, 882 (S.D. Cal. 2019) (plaintiffs failed to state a claim because it was “clear to the Court that [the plaintiffs’] products, when taken as a whole, present no consistent look”); *Interactive Health LLC v. King Kong USA, Inc.*, No. CV 06–1902–VBF(PLAx), 2008 WL 11337393, at *2 (C.D. Cal. Mar. 6, 2008) (“[W]hen a plaintiff seeks protection for an entire line of products, the plaintiff must demonstrate the trade dress signifies an overall look that is consistent throughout the entire line.”); 1 *McCarthy on Trademarks and Unfair Competition*, § 8:5.50 (5th ed.) (“When it is claimed that the trade dress is inherent in an entire series or line of

1 products, the proponent faces the ‘*particularly difficult challenge*’ of proving the
2 validity of a broadly defined trade dress which is common to all items in the series
3 or line.”) (footnote omitted) (emphasis added)); (Dkt. 57, Build-A-Bear’s Supp.,
4 at p. 5 of 36) (same).¹

5 In view of this law expressly requiring the presence of each of the five
6 unregistered trade dress elements *in each individually unique Squishmallows*
7 *product across the entirety of the asserted product line*, Build-A-Bear expressly
8 articulated why physical inspection of *all* products was the only viable option to
9 explore the existence and contours of Plaintiffs’ claimed, unregistered trade dress:

10 But the texture and feel of the products are not only the reasons for
11 which inspection is needed. Kelly Toys touts each of its thousands of
12 Squishmallows products as being unique. And it has asserted
13 intellectual property rights arising out of a very specific, “substantially
14 egg/bell/oval”, shape. The difference between “substantially
15 egg/bell/oval” and “substantially sphere/round/orb” is material, as
Kelly Toys has asserted rights in the former but not the latter. Yet,
Squishmallows’ shapes vary. *Neither photographs nor exemplars are*
adequate to address this issue. The same is true for, among others
claimed elements, the prevalence of “simplified Kawaii faces,” which
cannot be discerned through photographs or “exemplars” purporting
to reflect the features of thousands of unique products.

17 (Dkt. 57, at p. 4 of 36) (emphasis added). In other words, where each and every
18 Squishmallows product is individually unique in ways relating to both the look and
19 feel of the products and in ways highly relevant to the existence and contours of the
20 purported trade dress (the existence of which is disputed and squarely at issue), an
21 “exemplar” set is representative of nothing and cannot serve the purpose of Build-

22
23 ¹ As explained in Build-A-Bear’s briefing (Dkt. 56, at pp. 3, 5, 11, 13 of 582;
24 Dkt. 57, at pp. 2, 6 of 36), Plaintiffs have deliberately chosen to engage in a multi-
25 year litigation campaign against competitors based on assertions of claimed
unregistered trade dress rights residing in thousands of unique products. Any
26 “burden” on Plaintiffs is a consequence of their decision to maintain this highly
unusual and aggressive legal position. Of course, had Plaintiffs registered their trade
dress, much of this could be avoided. They have chosen to “live in the shadows”
for strategic purposes, and then refuse to be held accountable for those positions in
discovery. This gamesmanship should not be allowed to continue. Plaintiffs should
be required to back up the claims they have been asserting for years and continue to
assert in this case.

1 A-Bear discovering the existence of the claimed trade dress and testing whether each
2 Squishmallows product meets the requirements for trade dress in a product line. (See
3 *also* Dkt. 57, at p. 6 of 36).

4 For these reasons, Build-A-Bear’s request for inspection of the entire set of
5 Squishmallows was substantially justified and wholly consistent with controlling
6 law – even if the Court ultimately disagreed with Build-A-Bear’s request.
7 Accordingly, Build-A-Bear continues to maintain that its request for full inspection
8 is necessary and proper and should be granted, and that, in any event, this Court
9 certainly should not award fees to Plaintiffs when Build-A-Bear is simply trying to
10 explore and test Plaintiffs’ claimed unregistered trade dress as permitted by Judge
11 Staton’s Order, and in a manner that Plaintiffs’ own expert insisted was the ***only***
12 proper way to assess the presence of these asserted trade dress elements.

13 **LEGAL STANDARD**

14 Federal Rule of Civil Procedure 37(a)(5)(B) provides that, if a motion to
15 compel is denied, the Court “must not order” the payment of an opposing party’s
16 reasonable expenses, including attorneys’ fees, incurred in opposition “if the motion
17 was substantially justified or other circumstances make the award of expenses
18 unjust.” Fed. R. Civ. P. 37(a)(5)(B).

19 “Substantially justified” does not mean “justified to a high degree” but rather
20 “justified in substance or in the main—that is, justified to a degree that could satisfy
21 a reasonable person.” *Pierce v. Underwood*, 487 U.S. 552, 565 (1988) (construing
22 identical language in the Equal Access to Justice Act based on cases interpreting
23 Fed. R. Civ. P. 37). The Supreme Court has made clear that a legal position is
24 substantially justified if there exists a “genuine dispute” or “if reasonable people
25 could differ as to the appropriateness of the contested action.” *Id.*; *see also*, e.g., *RG*
26 *Abrams Ins. v. Law Offices of C.R. Abrams*, 2021 WL 4972626, at *3 (C.D. Cal.
27 July 19, 2021) (acknowledging that *Pierce*’s formulation governs whether a
28 monetary discovery sanction is appropriate under Fed. R. Civ. P. 37). Thus, a “good

1 faith discovery dispute” can constitute substantial justification. *See Hyde & Drath*
2 *v. Baker*, 24 F.3d 1162, 1171 (9th Cir. 1994).

3 **ARGUMENT**

4 **I. Substantial Justification Does Not Hinge On the Outcome of a Motion.**

5 In its Order, the Court indicated that it was “inclined to find” that Build-A-
6 Bear’s position was not substantially justified because the Court denied Build-A-
7 Bear’s motion “in full and essentially order[ed] the exact course of conduct proposed
8 by Plaintiffs as a compromise.” (Dkt. 58, at p. 10). But this inclination is not
9 supported by the law and factual record, and does not square with the Supreme
10 Court’s interpretation of the substantial justification standard.

11 The question is not whether the Court ultimately agreed with Build-A-Bear’s
12 position, but whether Build-A-Bear’s position was reasonably supported in law and
13 fact. *See Pierce*, 487 U.S. at 565 (holding that a legal position is substantially
14 justified if there exists a “genuine dispute” or “if reasonable people could differ as
15 to the appropriateness of the contested action.”); *see also Aevoe Corp. v. AE Tech
16 Co., Ltd.*, 2013 WL 5324787, at *2 (D. Nev. Sept. 20, 2013) (noting that
17 “[s]ubstantial justification exists when the losing party has shown that there is a
18 genuine dispute or that reasonable people could differ as to the appropriateness of
19 the contested action” and holding that a portion of the losing party’s arguments met
20 this standard). Indeed, the Advisory Committee Notes to Rule 37 make clear that
21 fee awards are meant to deter “frivolous requests” where “no genuine dispute exists”
22 – not to penalize legitimate disagreements that are ultimately resolved by the Court.

23 To award any fees here – in the context of a genuine dispute as to the
24 appropriateness and scope of the inspection of the unique products that Plaintiffs
25 themselves have made the subject of this case and previously asserted was critical
26 to their assertion of unregistered trade dress rights – would ignore this controlling
27 case law under Rule 37.

28

1 **II. Build-A-Bear's Request Was In Fact Substantially Justified.**

2 **A. The parties genuinely dispute the nature of Plaintiffs' asserted**
3 **trade dress.**

4 The Court's ruling turned largely on its conclusion that the "feel" element of
5 Plaintiff's asserted trade dress relates to visual impression rather than physical
6 sensation and that inspection was therefore not considered necessary. (Dkt. 58, at
7 pp. 6-7). Build-A-Bear reasonably disputed — and continues to dispute — that
8 interpretation of Plaintiffs' asserted trade dress (and indeed the very existence of
9 Plaintiffs' trade dress rights in the first instance).² Trade dress protection can
10 encompass non-visual elements, such as texture, sound, and even scents. (Dkt. 57,
11 at p. 4 of 36; *see also McCarthy*, § 8:7; 1 Trade Dress Protection § 26:11 (2d ed.)
12 (discussing trade dress consisting of sounds, scents, and flavors)). Plaintiffs' own
13 descriptions of its trade dress explicitly rely on and emphasize the importance of
14 physical "feel":

15 "short-pile *velvety velour-like textured exterior* with a *light and silky*
16 *memory foam-like stuffing* providing an *extremely soft and*
 squeezable marshmallow feel".

17 (Dkt. 25, First Am. Compl., Ex. 3, at p. 17) (emphasis added). Plaintiffs tout both
18 the exterior fabric and interior stuffing to create its "stretchy feel and look" (*id.*, ¶45)
19 (emphasis added), contrasted with polyester fill having "a harder feel and look when
20 used as filling in toys." (*Id.*, ¶44) (emphasis added). By their own trade dress
21 description and other allegations, Plaintiffs themselves have placed at issue the
22 physical "feel" of their products.

23 This obvious reality is bolstered by the litigation positions repeatedly taken

24

25 ² (*See, e.g.*, Dkt. 57, at p. 2 of 36 (discussing Build-A-Bear's declaratory
26 judgment counterclaim relating to Plaintiffs' assertion of illusory rights through
ever-shifting definitions of purported "unregistered trade dress rights in thousands
27 of individually unique Squishmallows); Dkt. 56, at pp. 3 and 10 n.2 of 582 (same
and further noting that Plaintiffs never even attempted to register the purported trade
28 dress for these many products and thereby define for the public the true scope of any
alleged rights)).

1 by Plaintiffs against their competitors over time (Dkt. 57, at p. 2 of 36 (citing
2 Dkt. 37, ¶¶25(a)-(n)), including their case against Plaintiffs' direct competitor, Ty
3 Inc., in which Plaintiffs' expert chastised Ty's expert for only using photographs of
4 products, instead of inspecting actual products to assess trade dress. *See Kellytoy*
5 *Worldwide, Inc., et al. v. Ty Inc., et al.*, Case No. 1:20-cv-00748 (N.D. Ill.), Dkt. 57-
6 3 (emphasis added); *see also id.*, ¶19 (“[T]wo-dimensional images do not provide
7 me the opportunity to test the physical aspects of the plush cited (something that is
8 essential in evaluating plush products) . . .”).

9 The Court acknowledged Plaintiffs' and their expert's positions about the
10 importance of physical feel and found that “some degree of physical inspection
11 would be appropriate here[.]” (Dkt 58, at p. 8). The fact that Plaintiffs have
12 previously insisted on the importance of physical inspection, with this Court itself
13 acknowledging some physical inspection is appropriate, demonstrates the genuine
14 nature of this discovery dispute.³

15 _____
16 ³ Although not part of the prior briefing, Build-A-Bear notes that Plaintiffs'
17 own labeling of its Squishmallows products – *i.e.*, the public manner in which
18 Plaintiffs advertise their trade dress to consumers and competitors – expressly
asserts that “[t]he shape, look, feel, and texture of this Squishmallows™ branded
plush toy constitutes proprietary trade dress”:



1 **B. The parties reasonably dispute the appropriate scope of an**
2 **inspection of Plaintiffs' products.**

3 As noted by Build-A-Bear, the number of Squishmallows that Plaintiffs
4 contend embody the trade dress has been and continues to be a moving target.
5 Sometimes Plaintiffs have referred to the relevant product line as comprising "more
6 than a thousand" products; other times they have identified 2,345 products in the
7 line; and on other occasions they have suggested that there are 3,779 products at
8 issue.⁴ (Dkt. 57, at p. 2 n. 1 of 36).

9 Given the lack of clarity as to which of the thousands of unique products are
10 at issue in this case and that photographs are (as Plaintiffs and their experts
11 previously contended) inadequate to assess Plaintiffs' products for trade dress
12 purposes, Build-A-Bear reasonably sought to inspect *all* of these uniquely different
13 products to determine for itself which ones actually embodied the claimed trade
14 dress elements. In other words, Build-A-Bear sought to require Plaintiffs to
15 definitively define the scope of the their claims in this case, which Build-A-Bear
16 understood was held by Judge Staton to be "certainly a permissible use of
17 discovery," after denying Build-A-Bear's Motion to Dismiss based, in part, on its
18 inability to understand what actually constitutes the claimed trade dress which
19 Build-A-Bear is alleged to infringe.

20
21 The allegations in Plaintiffs' First Amended Complaint and the representations
22 Plaintiffs have made millions of times on plush toys (and continue to make) in the
23 marketplace to competitors and consumers simply cannot be reconciled with their
24 latest, expedient litigation positions that "look and feel" is a term of art, (see Dkt.
25 58, at p. 7) and that the asserted trade dress' fifth element of "feel" no longer refers
26 to actual physical feel but rather just a "feeling" (Dkt. 56, at p. 18 n.7 of 582).

27 ⁴ Plaintiffs now assert that this nearly 40% discrepancy in numbers arises from
28 the presence of "several" duplicate pages in Appendix A. (See Ex. 1 hereto, Apr. 4,
2025 email from M. Hickey to A. Munoz). Plaintiffs' continued problems in clearly
identifying which Squishmallows bear the claimed, unregistered trade dress further
demonstrates the justification and need for Plaintiffs to produce all Squishmallows
with the trade dress that Plaintiffs deliberately decided not to register with the
Trademark Office and thereby define the exact scope of their asserted rights.

Build-A-Bear also reasonably contested the viability of any exemplar proposal. Because each Squishmallow product is a unique character, with its own unique feel, coloring, facial features, size, shape, long/short pile fabric, texture, appendages, or combination thereof, there is no possible way for a single Squishmallow to be “representative” or an “exemplar” of any other unique Squishmallow, as Build-A-Bear clearly articulated in its request to the Court. (Dkt. 57, at pp. 4–6 of 36). The Court opined that inspection of “a representative exemplar set of, say, 100 products” might achieve Build-A-Bear’s ends, without providing any explanation or analysis regarding how 100 uniquely different products could be “representative” or “exemplify” the other thousands upon thousands of individually different products. Because of the distinct and unique differences in each and every Squishmallows product coupled with the legal requirement that Plaintiffs must establish that each and every product meets all five elements of its asserted unregistered trade dress, the only real and viable alternative was (and continues to be) physical inspection of each and every product.

C. Build-A-Bear provided ample legal authority for its position.

Build-A-Bear’s ample legal authority for its position also provides substantial justification. As detailed in its briefing, the case law clearly supports Build-A-Bear’s position that each and every product in a product line is required to contain the trade dress, (*see* Dkt. 56, Joint Stipulation, at pp. 4–5 of 582) (citing controlling law); (Dkt. 57, Build-A-Bear’s Supp., at p. 5 of 36) (same), and that physical examination is appropriate in trade dress cases. *See, e.g., Maharishi Hardy Blechman Ltd. v. Abercrombie & Fitch Co.*, 292 F. Supp. 2d 535, 543 n.5 (S.D.N.Y. 2003) (noting that the court conducted a “physical examination of [the] pants” at issue); *R.F.M.A.S., Inc. v. So*, 271 F.R.D. 13, 34–35 (S.D.N.Y.), *opinion adopted*, 271 F.R.D. 55 (S.D.N.Y. 2010) (finding spoliation where party failed to produce products in trade dress case)).

The Court’s citation to and reliance on a patent infringement case for the

1 proposition that production of over 1,000 samples is overly burdensome and
2 disproportionate is misplaced. In that case, it was recognized that the 1,150 test cups
3 were “identical in all respects relevant to the patent litigation” and that “any
4 differences in the products … would be irrelevant to the litigation, such as the brand
5 associated with the test cup (e.g. CVS brand vs. Wal-Mart brand), and possibly the
6 number of strips, orientation of strips or the type of drug for which the cup was
7 testing.” *Rembrandt Diagnostics, LP v. Innovacon, Inc.*, No. 316CV0698CABNLS,
8 2017 WL 4391707, at *3 (S.D. Cal. Oct. 3, 2017). Here, the differences in each
9 individual Squishmallows’ own unique coloring, facial features, size, shape, long
10 pile/short pile fabric, appendages, texture, and feel – all in the context of a trade
11 dress case predicated on the “look and feel” of a particular physical product
12 purportedly embodying unregistered trade dress – make all of these differences
13 highly relevant to Plaintiffs’ claim of trade dress existence and infringement. Build-
14 A-Bear continues to maintain that inspection of each product in the line is required
15 to confirm the manner and presence of the asserted trade dress features (which
16 Plaintiffs’ own expert *insisted* could not be adequately discovered through
17 photographs), and that no single Squishmallow or set of Squishmallows can be
18 “representative” or an “exemplar” of thousands of unique products.

19 Given its supporting case law and notwithstanding the Court’s own citation
20 to a patent case that Build-A-Bear respectfully submits is inapposite, Build-A-Bear
21 was and remains under the reasonable belief that Plaintiffs’ decision not to register
22 its purported trade dress, and to define its product line in a manner which puts
23 thousands of different products at issue in this case should not prejudice Build-A-
24 Bear’s defense and is a burden of Plaintiffs’ own making.⁵

25 _____
26 ⁵ As the Court recognized (Dkt. 58, at p. 6), this burden was not to be felt
27 solely by Plaintiffs. True, Plaintiffs would be required to make available for
28 inspection the products they put at issue in this case. But Build-A-Bear would
actually need to inspect each and every product, which would take considerable time
and effort to identify all of the differences in these unfamiliar products not made or
sold by Build-A-Bear. This was not an instance of Build-A-Bear proposing some

1 **D. Plaintiff's position and the Court's Order carry consequences that**
2 **will follow as the case proceeds to disposition.**

3 The Court resolved this discovery dispute by ordering the parties to meet and
4 confer in good faith to come up with a representative exemplar set of Squishmallows
5 to produce for physical inspection. The Court suggested that 100 products might be
6 an appropriate number.⁶ (Dkt. 58, at p. 9). However, the Court's Order carries with
7 it significant implications in the case. For example, Plaintiffs have now successfully
8 refused to produce the vast majority of their products for simple physical review and
9 inspection. As such, Plaintiffs inherently should be limited to using only the selected
10 exemplars at trial or for purposes of summary judgment. While the Court itself noted
11 the potential consequences of its Order in recognizing its "reluctance to issue any
12 orders in the context of this discovery dispute that may have the unintended effect
13 of implicitly defining the scope of Plaintiffs' asserted trade dress," (*id.*, at p. 8), this
14 necessarily must be one such consequence. An additional consequence, of course,
15 is that, by definition, the characteristics of the exemplar set of products produced by
16 Plaintiffs will be imputed to the balance of Plaintiffs' claimed line. Thus, should
17 some or all of the exemplar products lack one or more of the asserted trade dress
18 elements, so too would the line. After all, this is the path for which Plaintiffs
19 successfully advocated.

20 For purposes of this matter, however, Build-A-Bear was substantially justified
21

22 asymmetrical burden to the detriment of Plaintiffs; it was the opposite, and is an
23 unfortunate but necessary byproduct of the highly unusual, amorphous and
24 unprecedented nature of Plaintiffs' trade dress claims in this case.

25 ⁶ Whereas the Court's Order contemplated a set of perhaps 100 exemplars, Plaintiffs put forward a written exemplar proposal on April 1 subject to multiple
26 caveats – 1 Squishmallow with the claimed trade dress in each of the brand's 11
27 different sizes, or 11 Squishmallows with the claimed trade dress, each in a different
28 size. (See Ex. 2, April 1, 2025 Email from B. Bui to M. Hickey). Build-A-Bear
 respectfully does not see how any exemplar set could ever be representative of the
 thousands of unique Squishmallows in the product line, each of which must bear all
 five elements of the claimed, unregistered trade dress. Nonetheless, Build-A-Bear
 will continue to meet and confer with Plaintiffs on this issue per the Court's Order.

1 in seeking fulsome discovery of the very products that have given rise to Plaintiffs'
2 claims of infringement of unregistered trade dress rights. Indeed, it is difficult to
3 imagine how Plaintiffs could establish the most basic element of their claims at
4 summary judgment and trial – namely, that thousands of uniquely different products
5 have a single trade dress comprised of five different elements across an entire line
6 of thousands and thousands of unique products – without producing those physical
7 products in discovery, no less.

8 **CONCLUSION**

9 For the foregoing reasons, Build-A-Bear respectfully requests that the Court
10 recognize that Build-A-Bear's request for inspection of all of Plaintiffs'
11 Squishmallows products was substantially justified, and therefore decline to award
12 any costs or attorneys' fees to Plaintiffs.

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14 DATED: April 8, 2025

LEWIS RICE LLC

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By: /s/ Michael J. Hickey

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Michael J. Hickey, *Pro Hac Vice*

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